INSURING FOR GROUP PRACTICE: THE ROLE OF INSURANCE COMPANIES*

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FIRST I shall present a few figures to indicate the involvement of the insurance companies writing health insurance in this matter of medical care and medical care costs. At the present time nearly 100 million people have some form of insurance with insurance companies. The benefit payments under these policies are now running at the rate of about $5 billion dollars a year, which amounts to about $15 million for each day of the year. I think no further evidence is necessary that we have a deep involvement in this subject and, as a consequence, a deep interest in all that affects it.

Insuring the cost of medical care has been an evolutionary process. Views have differed widely as to what kind of services could be insured, or should be insured, and how much of the bills should be covered. As you well know, we started out first insuring hospital and surgical costs; we then gradually expanded the insurance plans to include a great variety of medical services including nursing, drugs, and medicines, and other types of expenditures. We have had plans under which we did not undertake to pay the small bills, or the first portion of bills, and we have had plans under which we have undertaken to cover the full bill for certain types of expenses.

There has been a great variety of views as to what is appropriate or desirable. We have been paying attention to the customer and, as a consequence, we have been taking a variety of approaches and testing the different ways in which insurance may be utilized.

Several years ago we introduced a concept of undertaking to pay a portion of the reasonable and customary charges for medical services. Subsequently, after we had a favorable experience with that, we offered plans under which we pay the full fee, provided it was reasonable and

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customary. And so we have this broad range of plans attacking the problem in a variety of ways, and out of them we have developed a great amount of experience.

Emerging from this experience and speaking generally, I feel that insurance people have come to believe that the so-called comprehensive type of plan is highly effective and desirable. This plan covers a broad variety of medical services, and is aimed at paying a high proportion of the total bill for the services covered.

Under plans of this kind, we have well over 50 million people currently covered. This type of insurance pays benefits for the types of services that are provided under group practice plans. So when we think in terms of group practice plans we already have insurance mechanisms that deal effectively with the charges incurred for services provided by such group practice arrangements.

When we consider prepaid group practice plans we are dealing with a different situation in which new questions arise. As I think you can well appreciate, the prepaid group practice plan as it has developed up to this point has been largely a competitor of the insurance companies. These plans combine in one operation both the function of providing medical services as well as the function of insurance. Certainly insofar as these plans undertake to deal with insurance they are in competition with insurance plans.

Up to this point or up to the recent past, at least, insurance people have felt that providing medical service and responsibility for all of the decisions involved belonged to the medical profession and that this was not a proper field of activity or responsibility of the insurer. It was thought desirable that insurers stick to the insurance field, and leave to the doctors and hospitals the matter of providing medical care and supervising its disposition and quality. Naturally insurance people have been deeply concerned with the problems associated with the cost and quality of medical care, and we have kept close to all developments that seem to have a bearing on how we can keep costs down and how we can be sure that good-quality medical care is made available to our customers.

Therefore, as we have observed the spiraling costs, last year particularly, I have noticed increasing interest on the part of more and more people in all aspects of the delivery of medical care. For a variety of reasons and in a variety of circumstances, insurance people have

been meeting with the people associated with prepaid group practice plans and other programs. There has been a really exciting interchange of ideas in the last year which constitute, I think, the significant message that I bring to this meeting here today. I have nothing specific to point to: no new plan has as yet been evolved, or is in operation. But there has been a great amount of constructive talk that I am confident will lead to interesting developments in the period ahead.

The universities and the medical schools have been largely responsible for some of this dialogue. I predict that you will be observing experiments in bringing together the medical schools, the medical practitioners, and the insurance companies in developing programs that will shed needed light on how we can improve the insurance plans and the delivery of medical services. Jerome Pollack, our discussant, is associated with one of these plans, and I am confident that he will want to say something about it; I shall therefore not infringe upon his time.

We are deeply interested in his plan, which has many exciting potentialities. There are other places in the country where similar studies are being made, and we shall be hearing much more of this in the period ahead. In the interest of time I shall say no more at this point other than to stress that insurance already has a very deep and broad involvement in medical costs. We have many plans that are operating in a very satisfactory way, with many satisfied customers.

We have a mechanism for paying the costs of group practice plans. We are carrying on active negotiations in attempting to find ways of working with prepaid group plans, which up to this point have been cast in the role of competitors. We hope we can find the key to working more cooperatively with them.